

**REPORT OF THE AUDIT OF THE  
DAVIESS COUNTY  
SHERIFF'S SETTLEMENT - 2003 TAXES**

**April 28, 2003**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**105 SEA HERO ROAD, SUITE 2  
FRANKFORT, KY 40601-5404  
TELEPHONE 502.573.0050  
FACSIMILE 502.573.0067**





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Louis Haire, Daviess County Judge/Executive  
Honorable Keith Cain, Daviess County Sheriff  
Members of the Daviess County Fiscal Court

The enclosed report prepared by Percy and Gray, PSC, Certified Public Accountants, presents the Daviess County Sheriff's Settlement - 2003 Taxes as of May 4, 2004.

We engaged Percy and Gray, PSC to perform the financial audit of this statement. We worked closely with the firm during our report review process; Percy and Gray, PSC evaluated the Daviess County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Crit Luallen  
Auditor of Public Accounts

Enclosure





**REPORT OF THE AUDIT OF THE  
DAVIESS COUNTY  
SHERIFF'S SETTLEMENT - 2003 TAXES**

**May 4, 2004**

***Kevin P. Peercy, CPA***

***Linda Gray, CPA***





**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**DAVIESS COUNTY**  
**SHERIFF'S SETTLEMENT - 2003 TAXES**

**May 4, 2004**

Peercy and Gray, PSC has completed the audit of the Sheriff's Settlement - 2003 Taxes for Daviess County Sheriff as of May 4, 2004. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$31,533,866 for the districts for 2003 taxes, retaining commissions of \$906,671 to operate the Sheriff's office. The Sheriff distributed taxes of \$30,512,191 to the districts for 2003 Taxes.

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities.





## CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT .....	1
SHERIFF'S SETTLEMENT - 2003 TAXES .....	3
NOTES TO FINANCIAL STATEMENT .....	5
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	9



***Kevin P. Peercy, CPA***

***Linda Gray, CPA***



To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Louis Haire, Daviess County Judge/Executive

Honorable Keith Cain, Daviess County Sheriff

Members of the Daviess County Fiscal Court

Independent Auditor's Report

We have audited the Daviess County Sheriff's Settlement - 2003 Taxes as of May 4, 2004. This tax settlement is the responsibility of the Daviess County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Daviess County Sheriff's taxes charged, credited, and paid as of May 4, 2004, in conformity with the modified cash basis of accounting.

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Louis Haire, Daviess County Judge/Executive  
Honorable Keith Cain, Daviess County Sheriff  
Members of the Daviess County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated November 22, 2004, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in cursive script that reads "Percy and Gray, PSC".

Percy and Gray, PSC

Audit fieldwork completed -  
November 22, 2004

DAVIESS COUNTY  
KEITH CAIN, COUNTY SHERIFF  
SHERIFF'S SETTLEMENT - 2003 TAXES

May 4, 2004

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 4,278,448	\$ 3,340,639	\$ 13,046,386	\$ 4,491,459
Tangible Personal Property	649,962	976,679	1,659,842	1,426,450
Intangible Personal Property				639,911
Increases Through Exonerations	15,103	12,356	61,993	15,302
Omitted Taxes	196	150	790	200
Franchise Corporation	410,308	249,558	861,301	
Distilled Spirits Taxes	29,590	16,457	94,841	
Watercraft	16,921	9,413	45,165	
Unmined Coal - 2003 Taxes	72	56	292	74
Oil and Gas Property Taxes	4,920	3,784	19,869	5,033
Limestone, Sand, and Mineral Reserves	213	164	861	218
Bank Franchises	440,681			
Penalties	21,766	21,321	61,694	25,196
Adjusted to Sheriff's Receipt	(774)	(439)	(414)	(1,530)
Gross Chargeable to Sheriff	<u>\$ 5,867,406</u>	<u>\$ 4,630,138</u>	<u>\$ 15,852,620</u>	<u>\$ 6,602,313</u>
<u>Credits</u>				
Exonerations	\$ 27,465	\$ 27,405	\$ 83,616	\$ 28,982
Discounts	92,280	71,891	251,131	111,299
Delinquents:				
Real Estate	54,299	53,466	171,396	55,552
Tangible Personal Property	4,925	2,739	9,435	11,786
Intangible Personal Property				5,507
Uncollected Franchise	<u>81,036</u>	<u>47,326</u>	<u>227,075</u>	
Total Credits	<u>\$ 260,005</u>	<u>\$ 202,827</u>	<u>\$ 742,653</u>	<u>\$ 213,126</u>
Taxes Collected	\$ 5,607,401	\$ 4,427,311	\$ 15,109,967	\$ 6,389,187
Less: Commissions *	<u>238,602</u>	<u>169,591</u>	<u>226,650</u>	<u>271,828</u>
Taxes Due	\$ 5,368,799	\$ 4,257,720	\$ 14,883,317	\$ 6,117,359
Taxes Paid	5,348,615	4,244,797	14,825,634	6,093,145
Refunds (Current and Prior Year)	<u>20,184</u>	<u>12,923</u>	<u>57,683</u>	<u>24,214</u>
Due Districts as of				
Completion of Fieldwork	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

\* See Next Page

The accompanying notes are an integral part of this financial statement.

DAVIESS COUNTY  
KEITH CAIN, SHERIFF  
SHERIFF'S SETTLEMENT-2003 TAXES  
May 4, 2004  
(Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	15,842,514
1.5% on	\$	15,109,967
1% on	\$	571,385

DAVIESS COUNTY  
NOTES TO FINANCIAL STATEMENT

May 4, 2004

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of May 4, 2004, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the Sheriff's agent in the Sheriff's name.

DAVIESS COUNTY  
NOTES TO FINANCIAL STATEMENT  
May 4, 2004  
(Continued)

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2003. Property taxes were billed to finance governmental services for the year ended June 30, 2004. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 24, 2003 through May 4, 2004.

B. Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 2003. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was March 3, 2004 through May 4, 2004.

Note 4. Interest Income

The Daviess County Sheriff earned \$37,748 as interest income on 2003 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The Daviess County Sheriff collected \$90,541 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Daviess County Sheriff collected \$10,560 of advertising costs and \$10,225 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). Since the Sheriff pays for advertising cost, he transferred the advertising cost to the fee account, and the advertising fees will be used to operate the Sheriff's office.



REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



***Kevin P. Peercy, CPA***

***Linda Gray, CPA***



The Honorable Louis Haire, Daviess County Judge/Executive  
Honorable Keith Cain, Daviess County Sheriff  
Members of the Daviess County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Daviess County Sheriff's Settlement - 2003 Taxes as of May 4, 2004, and have issued our report thereon dated November 22, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Daviess County Sheriff's Settlement - 2003 Taxes as of May 4, 2004 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Daviess County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control  
Over financial Reporting Based On an audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Percy and Gray, PSC".

Percy and Gray, PSC

Audit fieldwork completed -  
November 22, 2004

